



The Real Estate TRENDS

A concise monthly digest of real estate and construction fundamentals and trends.....A part of the complete service known as the Real Estate Analyst Reports.

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

Number 6

REAL ESTATE ACTIVITY

For the first time since May 1946 the preliminary figure for real estate activity (+55.3) shows a level slightly higher than the level of the preceding month (+55.0). This might indicate that the drop is coming to an end, or it might merely be a one-month's interruption in the downward trend similar to the interruption in the fall of 1920. It seems more logical at the present time to think that the downward trend will continue further before any general sideways movement develops. It may even be that the final figures for the month (the figures for all cities have not yet been received) may show that in January the drop continued as the increase in the January figure over the December figure was only three-tenths of a point.

REAL ESTATE MORTGAGES

Real estate mortgage activity continued its decline in January, reaching a point 9.1 per cent above the long-term computed normal. Last July this figure was 26.8 per cent above, but each succeeding month since then has shown a drop.

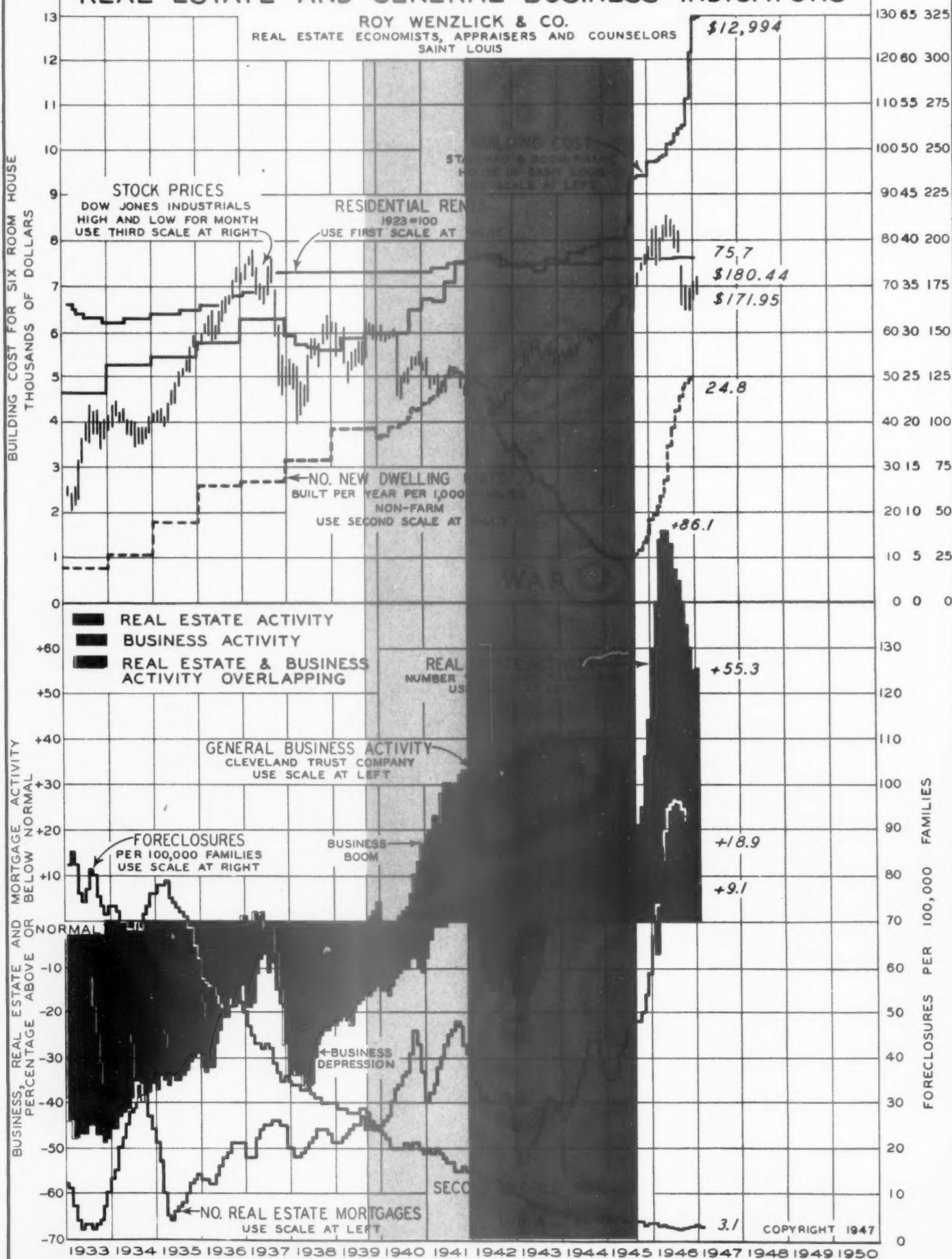
All of the figures used in this report have been corrected for seasonal fluctuations, and this drop from last July, therefore, is not a seasonal drop. It seems doubtful to us whether real estate mortgage activity in 1947 will be as high as it averaged for 1946. Mortgage interest rates are too low for the risk involved in lending at today's high costs, and sooner or later most mortgage lenders will become more cautious in their commitments. Money, which has been very plentiful during the past few years, will gradually become tighter over the period of the next few years. Eventually, loans will look for lenders in place of lenders looking for loans, and when this time comes interest rates will rise. In our opinion 80 per cent loans for twenty years made under today's conditions are extremely hazardous and for that reason, if made, should carry a high rate of interest. Loans insured by some agency of the government are good only because the loss can eventually be socialized. In our opinion the FHA will take over a considerable amount of property in the period ahead.

CONSTRUCTION COSTS

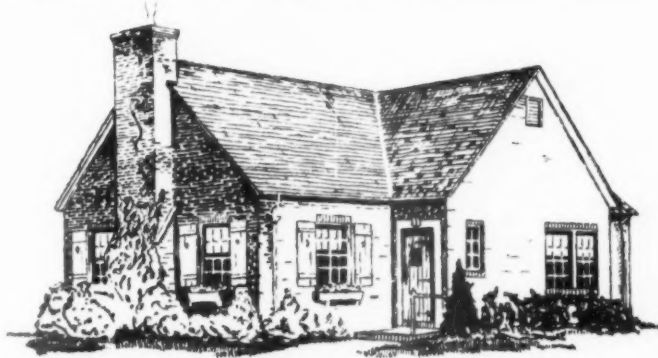
The standard six-room frame residence built in St. Louis in February cost \$12,994 to build. This is an increase of \$847 above the level of December 1946. It is 120 per cent higher than the cost in 1939 at the beginning of the war in Europe. The increase during the last thirty days, however, amounted to only \$66, and it seems to us that these cost figures will reach their highest

REAL ESTATE AND GENERAL BUSINESS INDICATORS

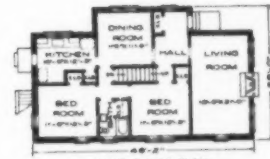
ROY WENZLICK & CO.
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS
SAINT LOUIS



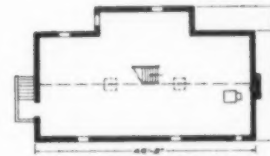
BUILDING COSTS OF A STANDARD FIVE ROOM BRICK VENEER RESIDENCE BUILT IN ST. LOUIS



23,913 CUBIC FEET

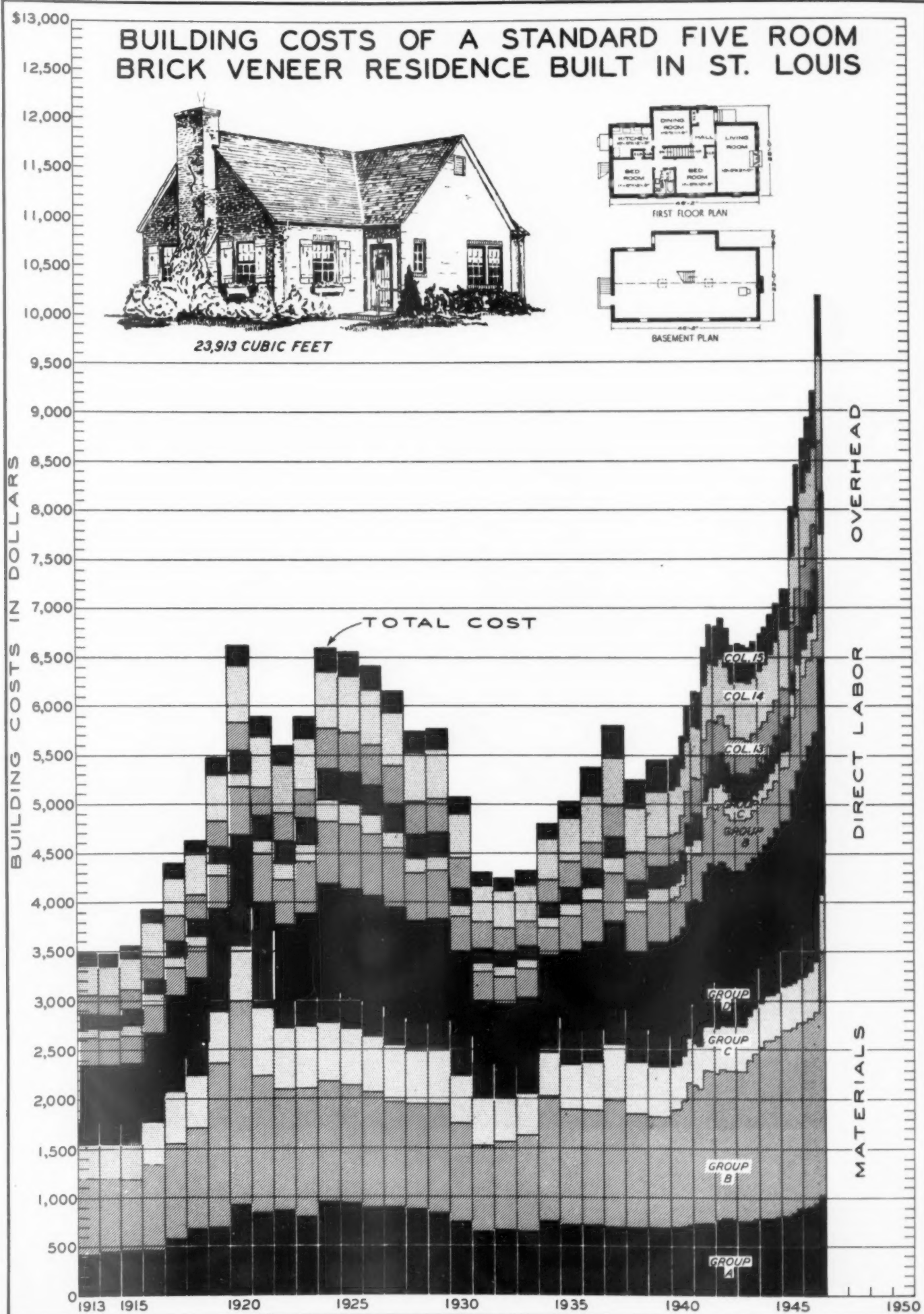


FIRST FLOOR PLAN



BASEMENT PLAN

BUILDING COSTS IN DOLLARS



BUILDING COSTS OF A STANDARD FIVE ROOM BRICK VENEER RESIDENCE BUILT IN ST. LOUIS

Costs are grouped into four classifications of material, four of labor and three of overhead. A further breakdown of these groups is given in detail below. Columns of the table are numbered, and a brief description of the items included in each is given in the paragraphs below. Paragraphs are numbered to correspond with the columns described. Building material costs are indicated by the letter M; corresponding labor items, in red by the letter L.

*No labor items are shown in Column 10, Building Hardware, as they have already been included in Column 5, Millwork.

Group A

(1) Masonry: Cement, sand, gravel, quick lime, hydrated lime, hard wall plaster, face and common brick, fire brick, flue lining.

(2) Tile Work: 4-1/4 x 4-1/4 wall tile, ceramic floor tile, cap and base.

Group B

(3) Unfinished Lumber: "H" columns, "I" beams, floor and ceiling joists, interior and exterior studs, rafters, bracing, etc.

(4) Finished Lumber: Sub-flooring, sheathing, finished floors, asphalt shingle roofing, roofing felt, shutters, etc.

(5) Millwork: Windows, doors, trim, kitchen cabinet, stairs.

Group C

(6) Heating: Furnace, blower, ducts, registers and metal work.

(7) Plumbing: Soil pipes and connections, stack, water pipe and connections, lead oakum and bathroom fixtures; hot water heater and tank to be furnished by others.

Group D

(8) Sheet Metal: Galv. iron (present) gutters, downspouts, flashing.

(9) Electrical Work: Main switch, BX cable, switch boxes, receptacles, transformer, etc. No fixtures included.

(10) Nails and Hardware: Common and wire nails, bolts, damper, ash doors, finish hardware, bonding clips.

(11) Painting: White lead, linseed oil, turpentine, varnish, shellac, filler.

(12) Miscellaneous: Wood laths, corner bead, insulation.

Total Material and Labor Costs

Group E

(13) Overhead and profit of subcontractors in plastering, metal work, heating, plumbing, electrical work and tile work.

(14) General contractor's profit.

(15) Missouri sales tax (now 2% on materials), old age and unemployment tax (Federal and State), liability and employees' compensation insurance, fire and tornado insurance, completion bond.

(16) Total overhead, profit and other costs.

TOTAL CONSTRUCTION COST

Year	GROUP A		GROUP B		GROUP C		GROUP D		GROUP E		TOTAL																			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	Total	(13)	(14)	(15)	(16)													
1913	\$397	\$577	\$15	\$5	\$280	\$98	\$242	\$81	\$272	\$87	\$122	\$18	\$224	\$87	\$65	\$14	\$36	\$38	\$68	\$24	\$46	\$30	\$37	\$1775	\$1088	\$192	\$305	\$122	\$619	\$3482
1914	437	577	15	5	285	98	225	81	272	87	115	18	228	87	59	14	33	38	68	24	46	29	37	1770	1088	188	305	122	615	3473
1915	445	577	15	5	283	105	202	88	255	95	129	19	245	92	68	15	38	41	71	25	55	26	39	1782	1131	201	311	125	637	3550
1916	453	599	15	5	346	105	239	88	285	95	151	19	283	92	101	15	58	41	82	32	55	30	39	2073	1153	226	345	133	704	3930
1917	559	638	16	5	389	106	275	88	312	95	206	19	314	96	108	15	60	43	92	41	55	35	39	2407	1199	255	388	143	784	4390
1918	655	654	16	6	395	116	311	96	353	103	191	21	321	97	95	16	53	43	96	47	59	40	41	2573	1252	253	408	150	811	4636
1919	789	708	16	6	551	124	554	103	575	111	192	22	324	102	83	18	46	45	94	48	64	71	44	3223	1347	256	483	169	908	5478
1920	909	736	18	6	622	177	646	147	801	158	243	32	338	119	83	25	46	52	108	59	91	82	50	3955	1593	283	583	202	1068	6616
1921	836	772	16	7	487	182	512	151	397	162	180	33	503	123	64	26	36	54	85	47	93	65	61	3218	1664	295	518	195	1008	5890
1922	752	771	16	7	398	169	386	140	443	151	166	30	470	130	84	24	36	57	78	43	86	49	58	2999	1623	288	491	188	967	5589
1923	783	844	16	8	445	195	437	162	434	173	194	35	442	146	70	28	39	64	85	43	100	56	69	3034	1824	299	516	205	1020	5878
1924	749	995	201	135	427	238	428	198	379	191	196	43	397	176	64	34	36	78	86	53	122	54	82	3070	2292	412	577	245	1234	6596
1925	744	994	201	135	412	244	403	203	364	218	191	44	398	164	68	35	38	72	83	56	125	51	83	3009	2317	410	574	246	1230	6556
1926	695	994	201	135	417	233	430	193	334	208	182	43	396	156	69	35	38	69	82	54	119	51	76	2939	2260	404	560	240	1204	6403
1927	697	994	201	135	390	221	398	184	275	198	179	40	396	129	67	32	37	52	82	51	114	49	76	2822	2175	392	539	231	1162	6159
1928	696	917	168	123	430	179	361	148	290	159	168	32	377	120	71	26	40	52	82	47	91	44	62	2774	1909	343	503	208	1054	5737
1929	693	917	149	123	425	179	380	148	294	159	169	32	376	120	82	26	46	52	83	49	91	47	62	2798	1909	349	506	208	1063	5770
1930	594	727	149	123	394	131	370	110	243	118	161	34	337	91	71	19	39	39	75	49	68	163	47	2645	1497	313	445	172	930	5072
1931	525	570	125	72	346	105	326	88	198	95	157	19	321	74	58	15	32	32	68	47	55	152	39	2355	1164	263	378	139	780	4299
1932	547	570	112	65	297	105	366	88	221	95	146	19	288	74	50	15	28	32	67	42	55	152	39	2336	1157	243	374	138	755	4248
1933	544	570	105	65	277	105	320	88	279	95	146	19	282	74	52	15	29	32	63	39	55	164	39	2400	1157	241	380	139	760	4317
1934	657	570	98	65	452	105	427	88	368	95	152	19	293	74	55	15	31	32	68	39	55	170	39	2830	1157	246	423	147	816	4803
1935	626	727	91	84	402	131	365	110	411	118	156	24	303	91	43	19	24	39	66	39	62	173	47	2698	1458	261	442	169	872	5028
1936	623	794	91	84	390	155	370	127	365	136	161	27	315	106	50	21	28	45	66	41	77	168	52	2716	1624	279	462	305	1046	5386
1937	609	818	91	84	415	181	425	149	453	153	212	56	348	111	54	26	30	45	69	45	82	172	52	2923	1757	315	498	326	1139	5819
1938	608	696	83	84	359	153	343	125	447	128	204	46	319	103	47	22	28	45	69	42	68	168	41	2715	1511	290	451	289	1030	5256
Ja 1939	610	680	83	97	362	138	349	113	413	120	206	49	308	103	49	20	27	45	68	42	68	144	41	2662	1467	289	442	281	1012	5141
Ap 1939	604	884	83	97	357	160	348	133	399	143	206	50	295	106	48	23	27	45	68	43	91	144	62	2622	1794	307	472	319	1098	5514
Ja 1939	611	884	83	97	354	160	343	133	398	143	208	50	296	106	48	23	26	45	67	44	91	144	62	2620	1794	307	472	319	1098	5512
O 1939	609	884	83	97	359	160	395	133	398	143	208	50	283	106	52	23	26	45	68	45	91	144	62	2703	1794	303	480	322	1105	5602
Ja 1940	609	853	83	97	399	152	371	129	419	127	215	50	228	106	58	21	32	45	69	45	73	144	62	2672	1715	294	468	311	1073	5460
Ap 1940	609	853	83	97	405	152	359	129	439	127	215	50	231	106	63	21	35	45	69	47	73	144	62	2699	1715	301	472	313	1088	5500
Ja 1940	609	853	83	97	410	152	359	129	439	127	215	50	231	106	63	21	35	45	69	49	73	144	62	2706	1715	301	489	313	1103	5524
O 1940	609	852	114	108	505	157	444	131	486	128	215	50	244	127	63	21	31	45	70	51	73	153	71	2985	1763	319	507	330	1156	5904
Ja 1941	621	986	114	108	503	176	450	147	488	142	218	56	210	132	60	23	28	45	73	52	82	153	79	2970	1976	364	531	355	1250	6196
Ap 1941	591	974	126	108	480	176	413	147	481	142	218	56	217	124	60	23	28	50	75	52	102	153	79	2864	1981	324	520	352	1196	6071
Ja 1941	611	1012	126	108	590	202	445	169	485	164	219	56	217	124	87	23	27	50	77	55	102	169	79	3104	2089	331	552	373	1256	6449
O 1941	613	1095	126	108	608	219	439	183	507	178	219	90	230	143	100	36	33	56	85	56	114	170	79	3188	2301	356	584	402	1342	6829
Ja 1942	613	1113	138	108	538	224	431	185	507	178	219	90	241	144	58	36	49	56	84	56	114	172	80	3106	2328	358	579	403	1340	6774
Ap 1942	640	1113	138	108	541	224	451	185	525	178	219	90	235	144	58	36	51	56	84	58	114	171	80	3171	2328	358	586	405	1349	6848
Ja 1942	640	1113	138	108	542	227	449	187	525	179	219	90	235	159	53	36	51	58	84	58	114	171	76	3165	2357	359	588	408	1355	6877
O 1942	640	1051	128	108	539	201	457	167	525	160	218	90	235	124	53	38	51	51	84	58	102	171	74	3159	2164	347	567	385	1299	6622
Ja 1943	640	1051	119	108	539	201	457	167	525	160	229	90	236	124	53															

peak this spring and then start to decline. It would be wise to postpone construction at least until later in the year.

The five-room brick veneer residence built in St. Louis as pictured and described on the spread of this bulletin, now costs \$11,544. This is an increase of 111 per cent over the cost in 1939, the beginning of the war in Europe. It is not so great an increase as the cost of the frame house, the difference probably lying in the fact that not quite so much lumber is used in this building. The details of the cost of the brick veneer house are given in the table in this report.

FORECLOSURES

Our index of foreclosures is still dragging along the bottom of the chart at 3.1 foreclosures per hundred thousand families. We believe that before 1947 is over the foreclosure index will start to rise gradually, as by the end of this year we expect that many single-family residences will have declined in value by a large enough percentage to entirely eliminate the equity and, in some cases, the owners will stop paying on the loans. It will be several years, however, before foreclosure rates rise by a large percentage.

In the real estate boom of the twenties, foreclosures were quite low in 1924, and started rising gradually in the latter part of 1925. They rose steadily from that time until 1933 and they would have continued rising in 1933 had it not been for the HOLC. At the peak they reached a level of 84.6 foreclosures per 100,000 families.

RESIDENTIAL CONSTRUCTION The rate at which new buildings are being started is considerably higher than the rate which prevailed in January and February of a year ago. This favorable comparison with 1946 will probably slow down considerably as the year progresses. It seems to us that most forecasts for the volume of residential building in 1947 are too optimistic and do not give sufficient weight to the increases which have occurred in construction costs. The number of persons who can afford to build at present prices has been greatly restricted as prices have advanced, and we think that the shortage at the present cost level is not very great. Supply and demand will always balance at a price and if the price is high enough, a demand which seemed greatly in excess of supply will shrink until the two meet.

We will be quite surprised if as many new residential units are started in 1947 as were started in 1946. We believe, however, that completions ready for occupancy will be 60 to 70 per cent higher than they were last year. Many of the buildings started last year but unfinished then will be completed this year, and the completion time for buildings started in 1947 will be considerably under the completion time in 1946. By the latter half of the year we believe that practically all building materials will be available in sufficient quantity.

RESIDENTIAL RENTS

It is always difficult to forecast what politicians will do and for that reason the future of rent relief is still quite cloudy. We still think that the final compromise will be a continuation of rent control, with some across-the-board increase, probably about 10 per cent. We think it probable that rent control will be decentralized and passed back to the States after the death of the OPA.

We would far rather see it continued on a Federal basis, but with a definite termination decided upon at this time. In some States we believe it will be just as difficult to get rid of rent control in the future as it has been to get it modified on a Federal basis in the past.

COMMODITY PRICES

We think that commodity prices on most items and that the cost of living will not advance much further in the period ahead. The wholesale index of the Bureau of Labor Statistics declined slightly from December to January for the first time in over a year. The cost of living will probably increase another 10 per cent at the most before it stabilizes and starts to drop. A part of this increase will be due to an increase in rent ceilings; the balance due to an increase in some manufactured articles where wage increases have been given without a corresponding increase in efficiency.

BUSINESS ACTIVITY

For the short pull we believe that business activity will remain very high, but as the year progresses it seems highly probable that in many lines drops in activity will take place. It seems to us that this is what the stock market has been discounting (probably too soon) and we would not be at all surprised if further recessions took place in the prices of many common stocks. We still believe that the best place from which to watch the market is the sidelines. We think there is a possibility of a considerable rise in the market, but that the probability remains either a sideways or a downward movement, with the possibility of a further considerable drop. Cash, to our way of thinking, is still a splendid investment at the present time.